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Internal audit and oversight

UNDP: Report on internal audit and investigations

Summary

The present report provides information on the activities of the Office of Audit and Investigations (OAI) for the year ended 31 December 2013. As requested by the Executive Board in its decision 2013/24, this report includes the titles of all internal audit reports issued during the year and ratings received, and details on OAI resources for audit and investigations. Also, as requested in decision 2012/18, this report contains information on significant issues related to the public disclosure of internal audit reports and experience gained from public disclosure to date. In accordance with decision 2011/22, this report also contains information on lessons learned on joint audits and on cases of fraud and action taken in cases of misconduct. The management response to this report is presented separately (per decision 2006/13) and the annual report of the Audit Advisory Committee is appended to this report (per DP/2008/16/Rev.1).

Elements of a decision

The Executive Board may wish to: (a) take note of the present report; (b) express its continuing support for strengthening the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit Advisory Committee.

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2. OAI audit reports issued in 2013
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Appendix (*available on the Executive Board website*)

Annual report of the Audit Advisory Committee for the calendar year 2013

Introduction

1. The UNDP Office of Audit and Investigations (OAI) submits to the Executive Board its annual report on internal audit and investigation activities for the year ended 31 December 2013.

2. As requested by the Board in its decision 2013/24, this report includes the titles of all internal audit reports issued during the year and ratings received, and details on OAI resources for audit and investigations. Also, as requested in decision 2012/18, this report contains information on significant issues related to the public disclosure of internal audit reports and experience gained from public disclosure to date. In accordance with decision 2011/22, this report also contains information on lessons learned and experience gained on joint audits, and on cases of fraud and action taken in cases of misconduct. The management response to this report is presented separately (per decision 2006/13) and the annual report of the Audit Advisory Committee is appended to this report (per DP/2008/16/Rev.1).

I. Assurance in UNDP

Mandate of the Office of Audit and Investigations

3. The charter of OAI was updated in December 2013 to align with both the UNDP Strategic Plan and the International Standards for the Professional Practice of Internal Auditing (see Annex 1). The Charter now reflects the OAI role in auditing risk exposures relating to governance, risk management and controls to ensure achievement of the organization's strategic objectives.

4. In accordance with the internal auditing standards, OAI hereby confirms its organizational independence. In 2013, OAI was free from interference in determining its audit scope, performing its work and communicating its results.

5. OAI continued to implement its quality assurance and improvement programme for both the audit and the investigations functions. As part of its ongoing quality assessments, client surveys were sent after each audit to gauge the performance of OAI against client expectations and to identify areas needing improvement. The client survey in 2013 showed that clients were satisfied with the conduct of OAI audits. The last external quality assessment of OAI showed that it was in general conformance with the internal auditing standards and the generally accepted principles and standards for investigations in international organizations. The next external quality assessments are due for in 2014 for investigations and 2017 for audit.

6. Throughout 2013, OAI received strong support from UNDP senior management. The OAI Director's continued participation as an observer in meetings of the Organizational Performance Group enabled him to give advice on control and accountability aspects of new policies and to comment on any emerging potential risk to UNDP. He also institutionalized meetings with the Bureau of Management to discuss key and recurring audit issues. He also participated in regional meetings and in meetings with donors to strengthen cooperation with counterparts in other organizations.

Independent external oversight

7. The Audit Advisory Committee, which is comprised of five independent experts, continued to provide advice to the Administrator to promote the effectiveness of the internal audit and investigations functions of UNDP. In 2013, the Committee reviewed the draft 2012 annual report to the Executive Board; periodically reviewed the progress on the implementation of the 2013 work plan; and reviewed the proposed revisions to the OAI charter, the draft strategy for 2014-2017 and the 2014 work plan and endorsed them for approval by the Administrator.

8. The external auditors of UNDP (the United Nations Board of Auditors) continued to rely on OAI audits as well as OAI quality assurance review processes for third-party audits of projects implemented by non-governmental organizations and national Governments (NGO/national implementation (NIM) projects).

Coordination within the United Nations system

9. OAI continued to interact with Member States and counterparts to identify and share best practices, discuss matters of common interest, and promote cooperation with audit and investigation services in the United Nations system and other international organizations.

10. Based on the existing audit frameworks agreed with members of United Nations Representatives of Internal Audit Services (UN-RIAS), OAI participated in a number of inter-agency audits in 2013 (see chapter IV, section B below). As the auditor of the Administrative Agent of multi-donor trust funds and the resident coordinator system, OAI is responsible for coordinating the participating internal audit services and/or leading the joint teams, issuing all audit-related correspondence and serving as a repository of audit recommendations along with the follow-up on progress.

Basis for providing independent assurance to the Administrator

11. For purposes of providing assurance on governance, risk management and control systems, the 2013 OAI work plan approved by the Administrator covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels, including grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), and directly implemented (DIM) projects.

Risk-based planning

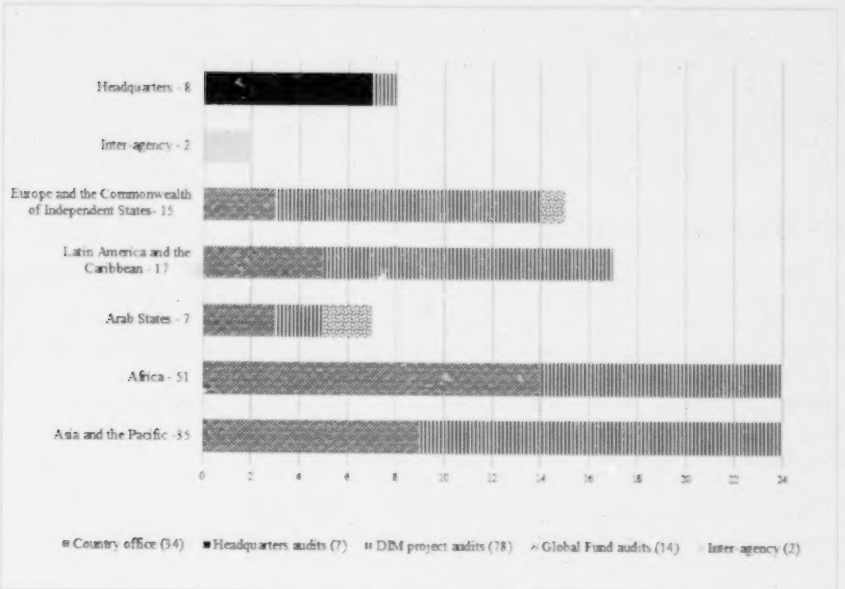
12. The 2013 audit plan was formulated after conducting a risk assessment of the OAI auditable areas, in consultation with senior management, relevant bureaux and other stakeholders. The Board of Auditors was also consulted to ensure proper audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Board.

Audit reports issued in 2013

13. In 2013, OAI issued 135 audit reports: 8 headquarters audits; 34 country office audits; 14 Global Fund grant audits; 77 DIM project audits at country level; and 2 inter-agency audits (see figure 1). The eight headquarters audits pertained to three headquarters business units, one regional centre, one corporate function, one DIM project managed by a headquarters business unit and two Global Fund matters of corporate significance. The 34 country office audits consisted of 27 general scope audits, three follow-up audits and four functional audits. The two inter-agency audits comprised a consolidation of audits of Peacebuilding Fund projects and an audit of the Cape Verde joint office conducted jointly with UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations Office on Drugs and Crime (UNODC). Per decision 2013/24, Annex 2 presents the titles of all internal audit reports issued in 2013 and their ratings.

14. Because most of the audit reports issued in 2013 covered activities of UNDP offices during 2012, the audit results generally reflect the status of programmes and operations in 2012. The 118 audits at the country level covered about $2.4 billion (52 per cent) of some $4.6 billion of UNDP 2012 field-level expenditures. An additional $1.9 billion in expenditures were covered by third party audits of NGO/NIM projects.

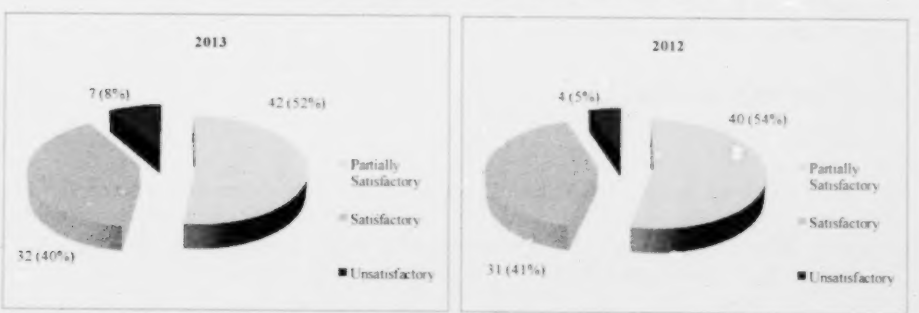
Figure 1. Number and type of audit reports issued in 2013



Audit ratings

15. Based on the results of an audit, OAI assigns an overall audit rating for the majority of its reports in terms of its assessment of the governance, risk-management and control processes. Of 135 reports, 54 did not contain an overall rating (48 DIM financial audits, three follow-up audits, two Global Fund consolidated reports and one consolidated inter-agency audit report). Of the remaining 81 reports, 32 reports (40 per cent) gave a "satisfactory" rating; 42 reports (52 per cent) a "partially satisfactory" rating; and 7 reports (8 per cent) an "unsatisfactory" rating (see figure 2). The distribution of audit ratings in 2013 is comparable to 2012. The reports with an "unsatisfactory" rating pertained to one headquarters audit, one country office audit, two functional audits, one Global Fund audit and two DIM project audits.

Figure 2. Comparison of audit ratings (2013 versus 2012)



16. The financial audits for DIM projects normally include an opinion on project expenditure, statement of fixed assets and statement of cash. In 2013, there were 71 financial audits and seven audits on internal controls. The 71 audits of project expenditure resulted in 53 unqualified, 17 qualified and 1 adverse opinion. The net financial impact for the projects with qualified and adverse opinions was $11.5 million (2 per cent of the total audited expenditure). The 64 audits for statement of fixed assets resulted in 50 unqualified, 9 qualified, 1 adverse and 4 disclaimers of opinion. The net financial impact of the modified audit opinions was $1.5 million (i.e., qualified opinion, adverse opinion and disclaimer of opinion).

II. Disclosure of internal audit reports

17. Pursuant to Executive Board decision 2012/18, UNDP made public all internal audit reports issued from 1 December 2012. Taking into account the safeguards agreed with the Board, OAI further enhanced its due diligence and quality assurance processes for draft reports to maintain the integrity and quality of information disclosed, at the same time being mindful of the confidentiality of any information deemed particularly sensitive or that might reflect negatively on a third party. In addition, final reports were shared with specific Member States when they contained findings related to them. The concerned Member State was then given three weeks to review the report and provide comments, if needed, prior to the reports being publicized.

18. From 1 December 2012 to 31 December 2013, UNDP publicly disclosed 120 internal audit reports, two of which were partially redacted because they contained sensitive information on safety and security.

19. From 29 January 2013, when UNDP started monitoring traffic to the OAI webpage with the audit reports (http://audit-public-disclosure.undp.org/) to 31 December 2013, there were 2,528 visits to the webpage, of which 1,643 were "unique" visitors, meaning that repeat visits were not counted. The duration of the average visit was 3.35 minutes.

20. Only one UNDP report, the audit of UNDP in Democratic People's Republic of Korea, attracted the attention of the media. The media questioned the satisfactory audit rating despite OAI concerns about old problems and weak controls noted in the office. They also commented on the delayed finalization of the audit report

21. Apart from the publicly disclosed reports, OAI received in 2013 a request from the Government of Sweden to access 12 reports issued before 1 December 2012. There was no request received from any organization not covered by the Board decision.

22. The public disclosure of the internal audit reports has not only contributed to more transparency in UNDP, but has also shown all stakeholders that UNDP activities are subject to rigorous and independent scrutiny.

III. Staffing and budget

On staffing

23. As of 31 December 2013, OAI had 79 approved posts (see figure 3) compared to 72 posts approved in 2012. The seven new posts were established in 2013, with due consideration to Executive Board decision 2013/24. The seven posts, all for investigators, will enable OAI to enhance the quality and expand the quantity of its investigation activities, as follows:

(a) the average case load per investigator will be decreased, which will then contribute to decreasing the length of time needed to resolve most cases;

(b) two new posts will be assigned specifically to investigations relating to offices in the Asia and the Pacific region, which has had the largest number of allegations;

(c) a new research analyst will be able to implement an intelligence-led approach to the case assessment process for a better understanding of reported issues, to help to identify risks, trends and patterns, and to provide the mechanism to formulate appropriate preventative and investigative strategies;

(d) proactive investigations will be conducted to identify and control an existing, but not yet identified, occurrence of fraud or financial irregularity.

24. There were changes in the management team of OAI, particularly the Director and the heads of its regional audit centres serving Europe, the Commonwealth of Independent States and the Middle East, as well as Latin America and the Caribbean. The changes were a result of normal attrition. As of 31 December 2013, 11 posts were vacant (seven investigators, two auditors, one audit chief, one quality assessor) of which seven were new positions established in August 2013 and three were positions that became vacant in the last quarter of the year. In 2013, the average time required to fill a vacant position in OAI was five months.

On budget

25. In 2013, OAI had an overall budget of $19.3 million (see figure 3), $1.8 million more than the 2012 budget of $17.5 million. Funds amounting to $11.9 million (62 per cent) were from regular resources and the balance (38 per cent) from other resources. Included in the 2013 budget were $1.6 million for the audit and investigations of activities relating to Global Fund projects managed by UNDP, $1.5 million dedicated to the audit of other DIM projects, $500,000 for the dedicated audit of activities carried out by the country office in Afghanistan and $600,000 for two newly established investigations posts dedicated to covering activities in the Asia and the Pacific region.

26. With reference to the UNDP integrated budget for 2014-2017 (DP/2013/41), OAI is expected in 2014 to reduce by 4 per cent the share of its budget funded from regular resources. At the time of writing this report, discussions were in progress with UNDP management to identify ways to manage this reduction without the need to revise the approved OAI work plan for 2014.

Figure 3. OAI resources level in 2013

Function	Approved posts	Budget (*In millions of United States dollars*)
Audit	46[a]	9.8
Investigations	19	4.1
Afghanistan audit	2	0.5
Global Fund audit and investigations	4	1.6
Audit of DIM projects	1	1.5
OAI management and support	7	1.7
Audit Advisory Committee	0	0.1
Total	**79**	**19.3**

[a] Does not include two fully funded Junior Professional Officers and four posts funded by the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) dedicated to internal audit in UN-Women.

IV. Significant internal audit results

A. Headquarters audits

27. In 2013, OAI issued six audit reports on headquarters business units and other corporate matters: (a) United Nations Development Operations Coordination Office; (b) Regional Centre in Cairo; (c) Office of Human Resources; (d) Global Environment Facility; (e) Global Management Functions of the Africa Adaptation Programme; and (f) Gender-Responsive Climate Change Policies, Strategies and Programmes Project of the Bureau for Development Policy (a DIM project).

28. Except for the audit of the headquarters-managed DIM project, the five headquarters audits resulted in 35 recommendations, of which 13 (37 per cent) were ranked high priority. Eight of the 13 recommendations emanated from the audit of the Office of Human Resources.

B. Inter-agency audits

29. In 2013 OAI issued two inter-agency reports as a result of joint or coordinated audit work among the internal audit services of several United Nations organizations. The audit of the joint office in Cape Verde, conducted jointly with UNFPA, UNICEF and the Office of Internal Oversight Services (OIOS) as a provider of audit services to UNODC, highlighted the unclear arrangements for the harmonization of the corporate processes of participating organizations within the joint office that resulted in inefficiencies and duplication of work. The consolidated report on the results of audits of the International Organization for Migration, UNDP and UNCPS projects funded from the Peacebuilding Fund concluded that the Administrative Agent function was satisfactory overall and most of the projects audited were assessed as partially satisfactory. The UNDP Multi-Partner Trust Fund Office serves as the Administrative Agent and the projects audited were implemented by different United Nations agencies.

30. The reports for three audits conducted in 2013 will be issued in 2014: (a) Delivering as One in Pakistan, conducted jointly with the Food and Agricultural Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization, UNFPA, UNICEF and the United Nations Industrial Development Organization; (b) Somalia Common Humanitarian Fund, with the United Nations Office for the Coordination of Humanitarian Affairs/OIOS, UNFPA and UNICEF; and (c) the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries in the Democratic Republic of the Congo, with FAO and the United Nations Environment Programme.

31. The OAI experience of inter-agency audits since 2009 has shown that more time is needed to conduct and complete such assignments, mainly due to the consultation and various inputs required from the internal audit services of the participating organizations. To mitigate the risk of untimely issuance of reports, UNDP and UNFPA are leading the exercise on the consolidation of all existing audit frameworks and enhancement of related processes and guidance. Another critical challenge in having a joint report is that participating organizations in joint programmes have different policies on disclosure of internal audit reports, from full disclosure to no disclosure, and this consequently has an impact on the content of the joint audit report. In 2013, OAI, together with the UN-RIAS, expressed on several occasions its full support for the principles of transparency, accountability and openness, and underscored the need for harmonized audit report disclosure policies as a prerequisite for more inter-agency audit work.

C. Country office audits

32. The 34 country office audit reports issued in 2013 comprised 27 audits with a general scope; four functional audits focusing on finance management, programme management, procurement management and donor relations of one office; and three audits that followed up the

implementation status of recommendations of prior audits. Together, these audits resulted in 239 recommendations (see figure 4), many in the areas of:

(a) finance, such as incorrect use of accounts in Atlas (eight offices);

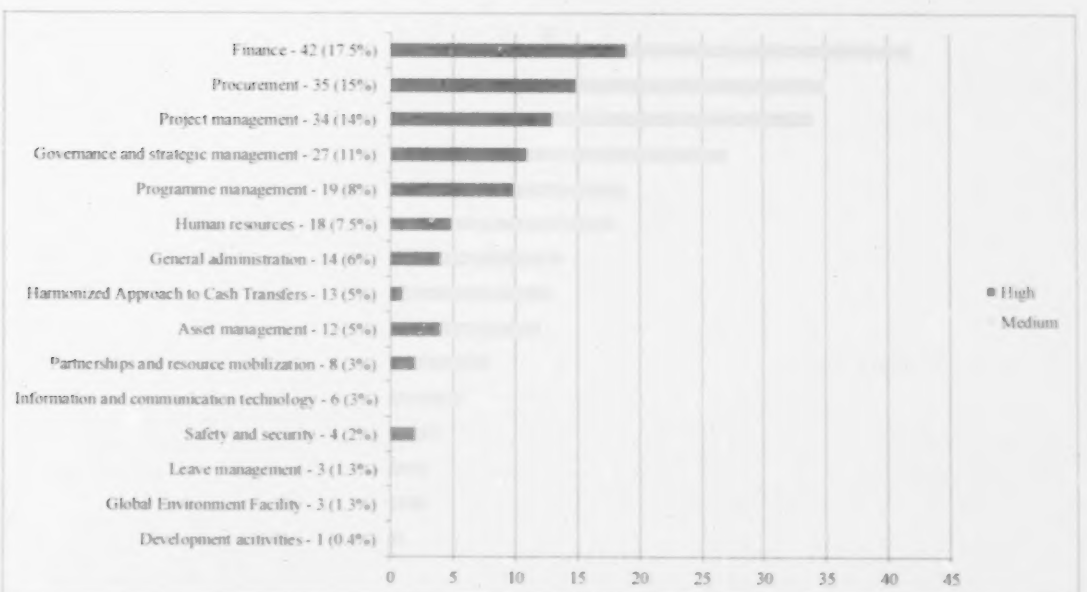
(b) project management, such as project appraisal committees/project boards not following prescribed procedures (10 offices), insufficient project monitoring (nine offices), projects not utilizing standard documents (eight offices) and inadequate project closure process (seven offices);

(c) procurement, such as incorrect use of purchase orders (seven offices); non-submission to procurement committees (six offices) and non-compliance with policies in the use of the individual contract modality (six offices).

33. Of the 239 recommendations, 27 were meant to address deficiencies in governance and strategic management, such as developing policy and/or guidance on engagement of NGOs as part of fast-track policies; improving monitoring and evaluation activities by establishing feedback mechanisms on issues raised during monitoring visits; addressing weak staff capacity required to permit the office to deliver outcomes; strengthening oversight over the delegation of authority to staff members; and establishing strategies to generate additional extrabudgetary income. Eleven of the 27 recommendations were rated high priority.

Figure 4. Distribution and prioritization of all country office audit recommendations in 2013 reports

(Total recommendations: 239)



D. Global Fund audits

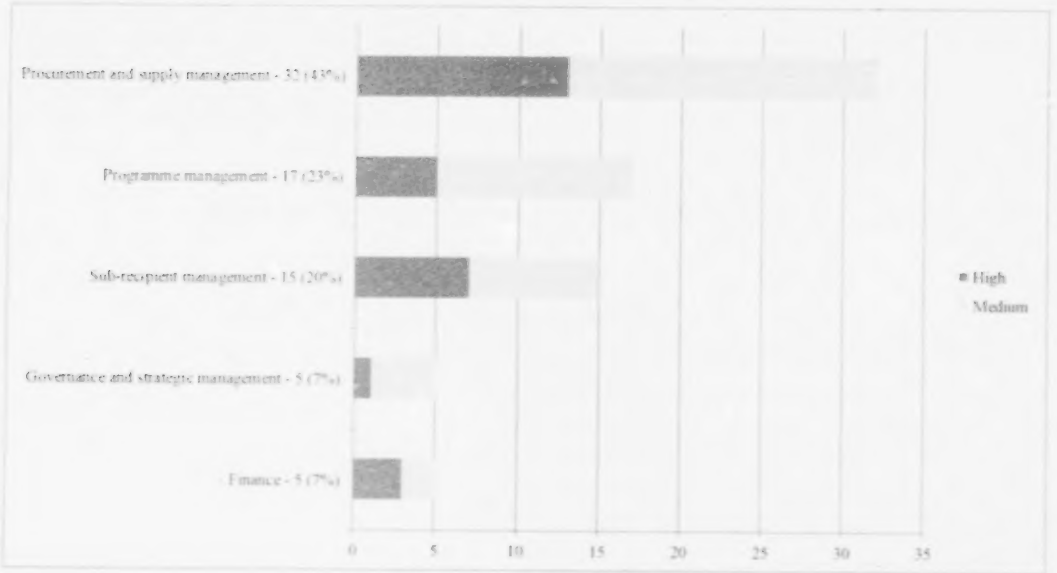
34. In 2013, 16 reports were issued pertaining to Global Fund grants managed by UNDP as principal recipient. Fourteen audit reports covered 53 Global Fund grants in 10 country offices (six in Africa, two in the Arab States, one in Asia and the Pacific and one in Europe and the Commonwealth of Independent States). The OAI also issued two consolidated reports on audits of

UNDP country offices as principal recipient of Global Fund grants and sub-recipients of Global Fund grants.

35. Except for the consolidated reports, the 14 audit reports contained 74 recommendations, the majority in the areas of: (a) procurement and supply management, such as weak controls over physical inventory, storage of health products and quality assurance process; and (b) programme management, such as managing cash advances, which together accounted for 66 per cent of the total recommendations (see figure 5).

Figure 5. Distribution and prioritization of all Global Fund audit recommendations in 2013 reports

(Total recommendations: 74)



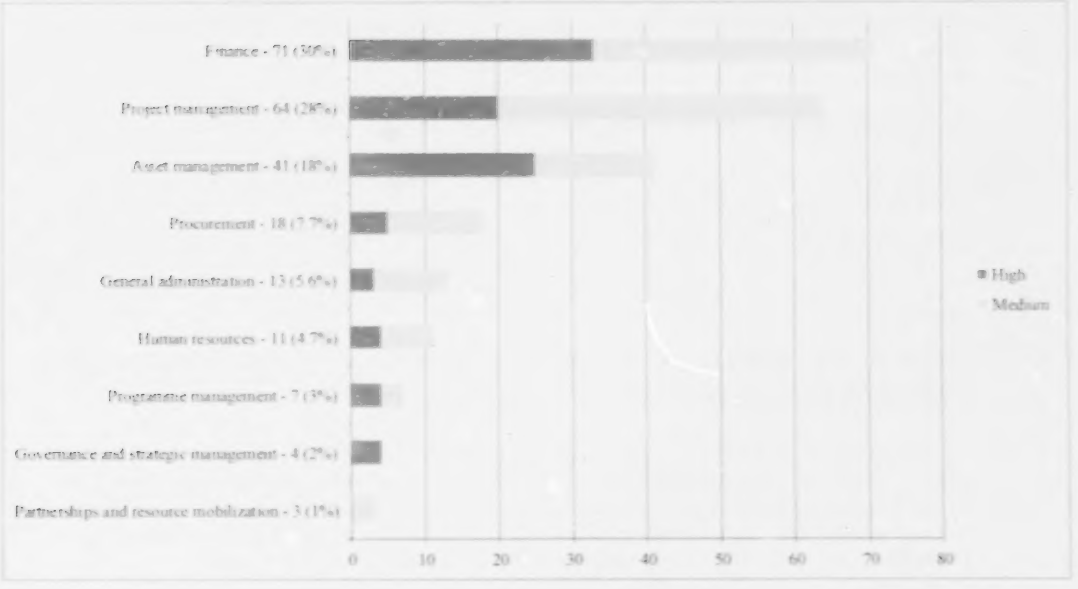
E. Project audits

36. Projects that are directly implemented by UNDP may be reviewed as part of the audit of a country office or other business unit or may be audited separately, especially if the project amount is significant. In 2013, 128 DIM projects were audited separately, resulting in 78 DIM audit reports. The audited expenditure amounted to $620 million.

37. The DIM audits resulted in 232 recommendations (see figure 6), mostly in the areas of finance (such as inaccurate recording of project expenditures in the combined delivery report), project management (such as monitoring of projects and non-compliance with letters of agreements) and asset management (such as weaknesses in recording of assets and physical verification), which together accounted for 75 per cent of the recommendations. As compared to 2012, most of the audit issues pertained to inaccurate recording of project expenditures in the combined delivery report.

Figure 6. Distribution and prioritization of all DIM audit recommendations in 2013 reports

(Total recommendations: 232)



V. Follow-up on audit recommendations

38. The overall implementation rate was 88 per cent at 31 December 2013. This covers all reports issued from 1 January 2011 to 30 November 2013. The cut-off period ends in November, taking into account a one-month grace period given to offices to start implementing the recommendations from the date of the report's issuance. The implementation rate is slightly lower than last year's rate, which was 91 per cent.

39. At the end of 2013, 22 recommendations had been outstanding and not fully implemented for more than 18 months, which is almost the same as the 21 recommendations from 2012 (see Annex 3 for complete listing). The total number, however, remains minimal, given that the 22 recommendations represented 0.7 per cent of the total 3,279 recommendations issued since 2009.

40. Two recommendations were withdrawn as they had been outstanding for over 36 months and management accepted the residual risk of not implementing these recommendations. These pertained to: (a) an outstanding government contribution towards local office costs in one country office; and (b) creation of an integrated occupational health and safety policy.

41. Of the 22 recommendations, 14 (64 per cent) were ranked high priority at the time of the audit. The reasons for the delayed implementation of the 22 recommendations included complexity of issues which required more action (86 per cent) and dependence on host Governments and/or another United Nations organization (14 per cent).

VI. Advisory services

42. The OAI continued to provide advice to all levels of management at headquarters, regional centres and country offices. The advice covered a wide range of subjects, such as long-term agreements to conduct NIM audits, Atlas reports related to the International Public Sector

Accounting Standards, policies for the engagement of NGOs and recruitment and procurement processes. OAI also regularly reviewed audit clauses in contribution agreements with donors.

43. The OAI made presentations at regional workshops, retreats and staff induction programmes to share lessons learned from audits and investigations and to enhance staff appreciation of audit findings and recommendations. OAI also met quarterly with headquarters management to share information on recurrent issues from audit reports.

VII. Internal audit and investigation services for UN-Women

44. Based on a service agreement with the Executive Director of UN-Women dated December 2011, OAI continued to provide internal audit and investigation services to UN-Women in 2013. This agreement was renewed in December 2013 for another two years. OAI has a dedicated UN-Women Audit Unit, with four posts fully funded by UN-Women, two of which were established in 2013. The OAI reports separately to the Executive Board of UN-Women on its audit and investigation of UN-Women activities.

VIII. Review of audits of projects executed by non-governmental organizations and/or national Governments

45. A total of 911 NGO/NIM projects were planned for audit in 2013 based on the audit risk assessment by OAI. These selected projects totalled $1.93 billion, representing 68 per cent of the $2.84 billion of NGO/NIM project expenses in fiscal year 2012. The audits were conducted by national audit institutions or audit firms selected and managed directly by country offices. By 31 December 2013, OAI had received audit reports for 98 per cent of these 911 projects.

OAI review results

46. OAI conducted an in-depth review of 50 per cent of the audit reports received. The sample, representing 86 per cent of the audited expenses (or $1.67 billion), included all reports with modified opinions. OAI reviews the NGO/NIM audit reports in terms of four aspects:

(a) *audit opinion and net financial impact*. OAI measures the net financial impact of audit qualifications as a percentage of the reported project expenditure;

(b) *audit outcome*. OAI reviews the audit findings and measures the corresponding risks for overall project implementation;

(c) *audit scope*. OAI reviews the adequacy of audit coverage vis-à-vis the required audit terms of reference;

(d) *audit administration*. OAI reviews how efficiently and effectively the audit was administered by the country office.

47. OAI issues review letters drawing the attention of country office management to areas requiring improvement. Most of the country offices (73 per cent) received a satisfactory rating from OAI for fiscal year 2012, compared to 81 per cent for fiscal year 2011 (see figure 7).

Figure 7. Results of OAI assessment of the quality of NGO/NIM audit reports

	Overall Rating			
	Fiscal Year 2012		Fiscal Year 2011	
Rating	Number of countries	%	Number of countries	%
Satisfactory	84	73%	96	81%
Partially satisfactory	22	19%	13	11%
Unsatisfactory	9	8%	10	8%
Total country offices	**115**	**100%**	**119**	**100%**

Key NGO/NM audit issues and actions taken thereon

48. Most of the issues in the reviewed reports pertained to financial management (57 per cent, compared to 53 per cent for fiscal year 2011). Over the last two audit cycles, there has been a slight increase in issues in the area of financial management, while the other areas (such as project progress, procurement, human resources) did not show any significant variance.

49. OAI also monitors the actions that country offices took or plan to take to implement the NGO/NM audit recommendations. Of the 1,302 audit issues, 84 per cent had already been adequately addressed as of 31 December 2013.

Modified audit opinions and net financial impact

50. Analyzing the reports with modified opinions (i.e., qualified opinion, adverse opinion and disclaimer of opinion), OAI quantified the net financial impact for fiscal year 2012 to be $112 million (5.79 per cent) of total audited expenses. This represented a significant increase compared to the $11.7 million (0.6 per cent) for fiscal year 2011. The net financial impact this time was mainly due the auditors being denied complete access to project documentation amounting to $105 million in one country office.

Audits pertaining to Harmonized Approach to Cash Transfers

51. In 2013, seven country offices planned audits of implementing partners. OAI received 36 audit reports from six of the seven country offices and noted that the majority of the audit reports indicated that the implementing partners had satisfactory systems and had received unqualified audit opinions.

IX. Investigations

Caseload

52. During 2013, OAI opened 283 new cases, which represented a decrease of 2 per cent over the number of cases opened in 2012 (289 cases). OAI also carried over 164 cases from 2012, bringing the total caseload in 2013 to 447, an increase of 13 per cent over the total caseload in 2012 (396 cases).

53. Of the 447 cases, 268 were finalized by OAI in 2013, an increase of 16 per cent over 2012. At the end of 2013, 179 cases were carried over to 2014 (see figure 8), representing an increase of 9 per cent.

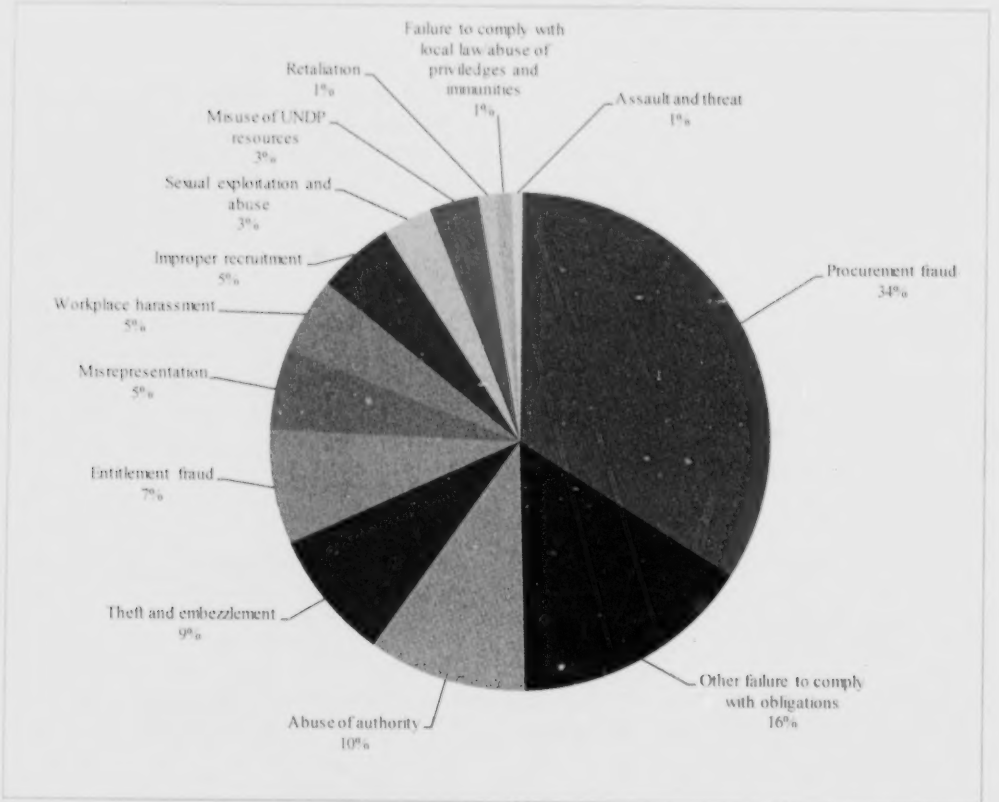
Figure 8. Caseload in 2012 and 2013

Caseload	2012	2013
Carry-over as of 1 January	107	164
Intake during the year	289	283
Total cases during the year	**396**	**447**
Closed (from cases carried over)	74	119
Closed (from intake)	158	149
Total closed	**232**	**268**
Carried forward as of 31 December	164	179

Type of complaints

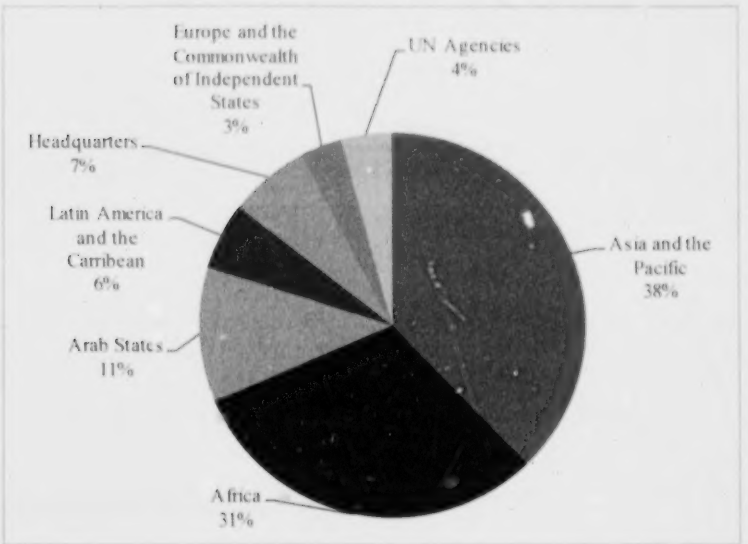
54. Complaints relating to financial irregularities (procurement fraud, theft and embezzlement, misuse of UNDP resources and entitlements fraud) continued to be the largest category of cases, constituting 53 per cent of the total number of cases handled by OAI in 2013, a decrease of 5 per cent compared to 2012 (58 per cent) (see figure 9).

Figure 9. Types of complaints received in 2013


Failure to comply with local law/abuse of priviledges and immunities 1%
Retaliation 1%
Assault and threat 1%
Misuse of UNDP resources 3%
Sexual exploitation and abuse 3%
Improper recruitment 5%
Procurement fraud 34%
Workplace harassment 5%
Misrepresentation 5%
Entitlement fraud 7%
Theft and embezzlement 9%
Other failure to comply with obligations 16%
Abuse of authority 10%

55. Asia and the Pacific continued to be the region from which OAI received the most complaints, constituting 38 per cent of the OAI case load in 2013. This region was followed by Africa, with 31 per cent of the case load and the Arab States with 11 per cent. The rest each account for less than 10 per cent of the case load: UNDP headquarters; Latin America and the Caribbean; other United Nations agencies; and Europe and the Commonwealth of Independent States (see figure 10).

Figure 10. Cases received in 2013, by location


Europe and the Commonwealth of Independent States 3%
UN Agencies 4%
Headquarters 7%
Latin America and the Carribean 6%
Asia and the Pacific 38%
Arab States 11%
Africa 31%

Processing of cases

56. A total of 195 cases (73 per cent of the cases finalized) were closed after an initial assessment. Of these, 172 cases were closed due to insufficient evidence of wrongdoing to justify an investigation, or the allegations did not fall within the OAI mandate or an investigation was not warranted. The remaining 23 cases were referred to other offices within UNDP for appropriate action (see figure 11).

57. After a full investigation, 73 more cases (27 per cent) were finalized. Of those investigated, 49 (67 per cent) resulted in an investigation report establishing evidence of misconduct or other wrongdoing, an increase of 9 per cent over the total number of investigation reports issued in 2012 (45 investigation reports). Twenty-four of the cases investigated (33 per cent) were found to be unsubstantiated (see figure 11).

58. At the end of 2013, 56 cases were still under assessment and 123 cases were under investigation.

Figure 11. Disposition of cases

Actions taken	Number of cases in 2012	Number of cases in 2013
After assessment		
- Closed, investigation not warranted	148	172
- Referred to other offices within UNDP	19	23
Total	**167**	**195**
After investigation		
Closed (not substantiated)	**20**	**24**
Closed *(substantiated)*		
- Submitted to Legal Support Office	25	24
- Submitted to country offices	13	14[1]

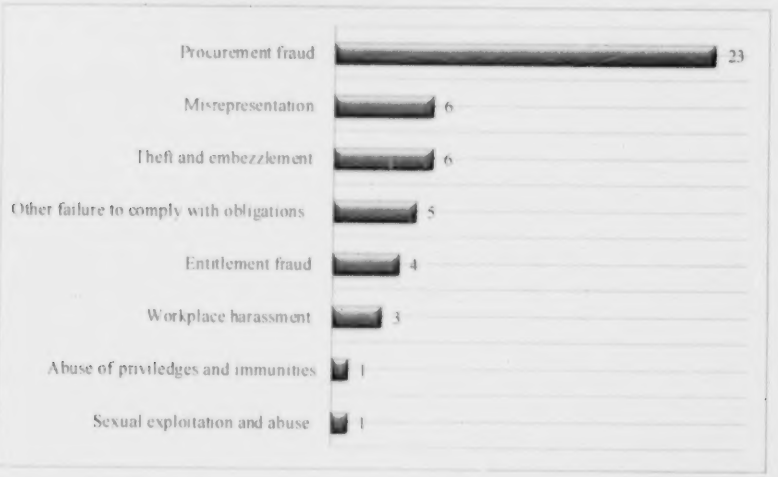
[1] Two of these reports were submitted in 2012 but not officially closed until 2013.

- Submitted to Vendor Review Committee	3	8
- Submitted to other organizations	1	3
- Other investigation reports	3	-
Subtotal *(substantiated)*	**45**	**49**
Total	**65**	**73**
Total cases closed during the year	**232**	**268**
Investigation reports issued	**45**	**49**[2]
Management letters issued	**3**	**6**

Substantiated cases

59. The irregularities identified in the 49 substantiated investigations mostly involved evidence of procurement fraud (23 cases, or 47 per cent); misrepresentation (six cases, or 12 per cent); and theft and embezzlement (six cases, or 12 per cent) (see figure 12).[3]

Figure 12: Number of investigation reports in 2013 by category

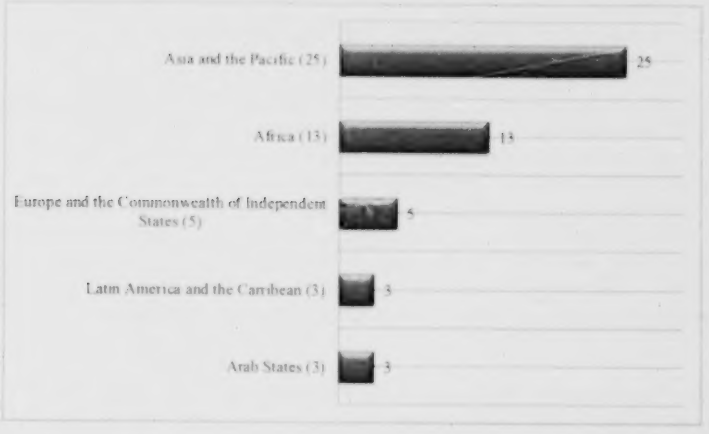


60. The total financial loss that was substantiated in investigations reports during 2013 amounted to $3.3 million. Indications of fraud were also found in approximately $4 million worth of contracts issued by UNDP. However, it was not possible to determine the amount of loss that UNDP incurred as a result of this alleged fraud. See Annex 4 for a short description of the 49 substantiated cases.

61. The geographical distribution of these 49 cases showed that 51 per cent occurred in Asia and the Pacific region and 26 per cent occurred in Africa (see figure 13).

[2] This number does not include revised reports that were reissued.
[3] Some of the reports involved more than one type of misconduct.

Figure 13: Number of investigation reports in 2013 by region



Actions taken as of 31 December 2013 as a result of the investigation reports

62. Based on the 24 reports sent to Legal Support Office concerning staff members, two staff members received disciplinary action in the form of dismissal, one received disciplinary action in the form of separation from service and one was exonerated. Dismissal is the most serious form of disciplinary action and means immediate separation from service, without notice or compensation. Separation from service provides for notice or compensation in lieu of notice, and may provide for a termination indemnity.

63. Three staff members had been charged with misconduct but a decision on whether or not to exonerate them or impose disciplinary action had not been made yet.

64. Concerning three staff members who resigned prior to completion of the investigation or the disciplinary process, a letter was placed in their files pursuant to Article 72 of the Legal Framework indicating that they would have been charged with misconduct had they remained with the organization. For one staff member who resigned during the investigation, a letter was placed in his file stating that he would have been exonerated had he remained with the organization.

65. At the end of 2013, nine of the investigation reports submitted in 2013 were still under review by the Legal Support Office and two reports had been returned to OAI for clarification.

66. Of the 14 investigation reports that were submitted to country offices, nine holders of service contracts had their contracts terminated. Four service contracts were not renewed. One service contract holder died a few days before the country office received the investigation report. Of the three reports that were submitted to other agencies during 2013, two service contract holders had their service contract terminated and the contracts for the second service contract holder was not renewed.

Vendor sanctions

67. Of the eight investigation reports that were submitted to the Vendor Review Committee (the internal technical body tasked with making recommendations to the Chief Procurement Officer about requests for vendor sanctions), two reports resulted in the debarment of five vendors for four years. Three reports resulted in the imposition of interim sanctions against 22 vendors. One report

resulted in the denial of sanctions against one vendor but the Committee did issue a letter of caution to the vendor. At the end of 2013, two reports were still under review by the Committee.

X. Overall conclusion and framework for the future

68. The OAI audits of headquarters, country offices, other functions, Global Fund grants and DIM projects, as well as the third party audits of NGO/NIM projects, supplemented the other oversight mechanisms from which the Administrator and the Executive Board derive assurance on the efficient use of UNDP resources and on the effectiveness and adequacy of governance, risk-management and internal control systems and processes. The overall audit results and the general responsiveness of audited offices, as evidenced by the actions taken to implement the audit recommendations, and the effective resolution of investigation cases continued to indicate the effectiveness of the OAI internal audit and investigation functions. OAI also continues to benefit from the unwavering support of UNDP senior management and the independent Audit Advisory Committee.

69. The recently approved OAI four-year strategy for 2014-2017 will enable OAI to contribute to the achievement of the UNDP strategic goals through its systematic and disciplined approach to audit and thus improve the effectiveness of risk-management, control and governance processes in UNDP.

United Nations DP/2014/17

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Reports of UNDP, UNFPA and UNOPS ethics offices

Activities of the UNDP Ethics Office in 2013

Report of the Ethics Office

Summary

Pursuant to decision 2008/37 of the Executive Board, the UNDP Ethics Office submits to the Board the present report covering its activities in 2013. In accordance with the Secretary-General's bulletin on United Nations system-wide application of ethics: separately administered organs and programmes (ST/SGB/2007/11), the United Nations Ethics Committee reviewed the report at its fifty-fifth session in February 2014; the report was subsequently presented to the Administrator of UNDP. As required by the Executive Board, pursuant to its decision 2011/24, this report includes recommendations to management on strengthening the UNDP culture of integrity and compliance.

This is the sixth annual report presented by the Ethics Office since its establishment in 2007 and marks the Director's first full year since taking office in June 2012.

Elements of a decision

The Executive Board may wish to take note of the present report and comment on the progress made by the Ethics Office.

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I. Introduction

1. The present report is submitted pursuant to Executive Board decision 2008/37, and discusses the work of the Ethics Office for 2013 in accordance with its mandate to "cultivate and nurture a culture of ethics, integrity and accountability, and thereby enhance the trust in and credibility of the United Nations, both internally and externally," as highlighted in the Secretary-Gneeral's bulletin ST/SGB/2007/11, section 1.1. This report marks the Director of the Ethics Office's first full year of service since assuming duties in June 2012.

2. The report summarizes the activities of the Office in each functional area of its mandate, and reflects its vision for enhancing critical aspects of the programme and embedding ethics in business processes and decision-making, in connection with the shared value of 'operating with unwavering integrity'. The report elaborates on the implementation of key initiatives undertaken by the Office as part of the overhaul of the programme in 2013, including supporting ethical leadership through face-to-face briefings and personal engagement with leaders and managers, developing online learning modules and better use of the intranet and social media to promote an ethical work environment. These initiatives are outlined in more detail below.

3. The report includes an analysis of the ethical climate in UNDP based on feedback from staff and leaders during personal consultations, in-person trainings and regional cluster meetings, a review of relevant sections of internal staff surveys, and other anecdotal feedback from staff. This analysis, in part, forms the basis for recommendations made to management.

Standard-setting and policy support

4. In 2013, the Ethics Office was successful in revising and implementing changes to specific policies and procedures, including:

(a) Proposed revisions to the Financial Disclosure and Protection against Retaliation Policies, adopted by the Organizational Performance Group and published on the Office's intranet website;

(b) Adoption and implemetation of an amendment to the Family Relationships Policy, proposed by the Ethics Office to the Office of Human Resources with the aim of harmonizing the UNDP policy with policies in other United Nations organizations;

(c) Detailed guidance provided to the Office of Human Resources on how best to manage potential conflicts of interest that arise from the movement of staff and personnel to and from UNDP on secondments, nonreimbursable loans and similar arrangements. That discussion is still ongoing;

(d) Implementation of the new Conflict of Interest Declaration Form for vetting newly recruited staff by the Office of Human Resources as part of the new e-recruit system;

(e) The new Gifts Policy and the new Conflict of Interest Policy, drafted and expected to be completed and implemented in 2014.

5. In 2013, the Ethics Office grew its proactive initiative to exploit electronic media to enhance delivery of education and awareness and to broaden its outreach to staff around the world. Informational blog entries were posted regularly to the Ethics intranet and Teamworks sites; guidance messages were disseminated by email and the intranet to leaders and to staff; the Office appeared on several instructive or inspirational videos; peer-trainer network meetings were hosted on a new video-

conferencing system; and a new curriculum of live ethics training was developed and delivered via the Web.

6. In accordance with decision 2010/17 of the Executive Board, the Ethics Office is required to vet recommended candidates for key oversight positions for potential conflicts of interest. One such new official (the Chief of Staff of the Office of the Administrator) was duly vetted in 2013.

7. Within the framework of the Ethics Panel of the United Nations (formerly United Nations Ethics Committee) and the Ethics Network of Multinational Organizations, the Ethics Office collaborated on harmonizing ethics standards within the United Nations system and, in fact, led several such efforts during 2013.

Training and outreach activities

8. In 2013, UNDP leadership urged all offices to reduce travel expenses. As a result, the Ethics Office revised its training strategy to develop and deliver live webinars and briefings using electronic media, such as Skype and Lync. The Office delivered many in-person headquarters sessions, and developed a series of online training modules based on the live training courses, scheduled for rollout in 2014. Though there was reduced emphasis on in-country, face-to-face training, the Office did deliver a number of such sessions, and attended regional cluster meetings of country leaders to network, offer one-on-one advice, and present programmes on leadership ethics.

9. The Office has worked closely with the United Nations Secretariat Ethics Office on a new mandatory ethics training course for new hirees which will replace the current course developed in 2008. Once finalized by the Secretariat, UNDP will adapt the course for its own use and mandate that all current and newly recruited staff complete it.

10. Approximately 1,065 individuals participated in ethics training and 80 in other briefings delivered by the Office in 2013. Throughout the year, the Office was deeply engaged with the Afghanistan country office, the largest UNDP operation. It delivered a week-long series of live, in-country sessions on general ethics and the standards of conduct, and multiple live web-based sessions on ethical leadership, procurement ethics and ethics for human resource practitioners.

11. In addition to online training and face-to-face briefings, the Office expanded its training and awareness initiatives to include development of electronic modules on specific topics, in collaboration with the Office of Human Resources. The Ethics Office participated in cross-functional panels to encourage deeper discussion around ethics and values as a part of day-to-day business processes, including panels on whistleblowing, women's professional development, vendor sanctions, anti-corruption, and leadership ethics.

12. In order to enhance its efforts to nurture and promote a culture of ethics and integrity, the Office engaged with UNDP senior managers through individualized briefings at headquarters and through participation at the aforementioned regional cluster meetings. These meetings led to many requests for specific ethics advice and training in various countries.

13. The Director personally briefed and vetted five new director-level (and above) appointees on the standards expected of managers, the role of the Ethics Office, potential conflicts of interest, financial disclosures, and the need to support, embrace and foster an ethical culture in UNDP.

Confidential advice

14. The Office's advisory function remains perhaps the key component of its mandate to assist the UNDP Administrator in fostering a culture of ethics and integrity in UNDP. Through this role, the Office guides senior leaders, staff and other individuals in avoiding, mitigating and resolving potential conflicts of interest so as to preserve and protect the reputation of UNDP. The Office fielded 466 requests for services, of which 353 were for ethics advice and guidance.

15. During the year, in order for ethics to become more relevant to day-to-day UNDP activities and to render more practical advice, the Office modified the extent of confidentiality applicable to its review of outside activities. The Office amended the form used by staff members so that requests now state that, in the course of reviewing the matter for conflicts of interest, the Ethics Office may consult with the staff member's supervisor, the Legal Support Office, the Office of Human Resources or other pertinent party in order to make an informed decision on whether to recommend approval of the outside activity. As such, these requests are no longer treated as confidential.

Financial disclosure programme

16. For the 2013 annual filing exercise, 1,383 staff members (up from 1,274 in the previous year) filed financial disclosure statements. The Office achieved 100 per cent compliance, though exemption was granted to three staff members on extended leave and six staff members who separated before conclusion of the exercise. The Office provided advice to a total of 87 filers.

17. The Office revised the filing format and several questions for greater clarity and relevance, which helped the review process, especially where filers had nothing of substance to declare, resulting in a process that is simpler and less confusing. The Office conducted real-time reviews of disclosures made contemporaneously with the filing exercise, which in turn: (a) greatly enhanced efficient communication with filers; (b) enabled the Office to request additional information or clarification; and (c) provided immediate guidance on ways to mitigate potential conflicts of interest.

Protection against retaliation

18. In 2013, the Ethics Office received four complaints alleging retaliation. The Office undertook a preliminary assessment in three cases, however none resulted in a prima facie finding. In each, the complainant was advised of alternative internal mechanisms to address the issues raised. In the fourth case, the individual was referred to the Office by another ethics office within the United Nations system. Despite follow up by the Office, the individual did not wish to pursue the matter and the case was closed. The Office is monitoring three other matters referred to it by another independent office.

II. Administrative activities

19. The Office is currently staffed with a director (D-1), a P-5, a G-6 and a third year junior professional officer who transferred from another business unit in September 2013 to join the Office for 14 months. A budget of $200,000 for general operating expenses remains constant from year to year. The Office was provided with a one-time infusion of an additional $76,000 to offset the costs for the junior professional officer.

20. The terms of reference for the Audit Advisory Committee (AAC) specifically include oversight of the Ethics Office. As such, the Office met periodically with the committee in 2013, sharing its workplan and progress reports, and engaging in healthy discourse concerning the direction and initiatives of the Office. The AAC has fully endorsed the

creative undertakings of the Ethics Office and supports the positive changes thus far accomplished.

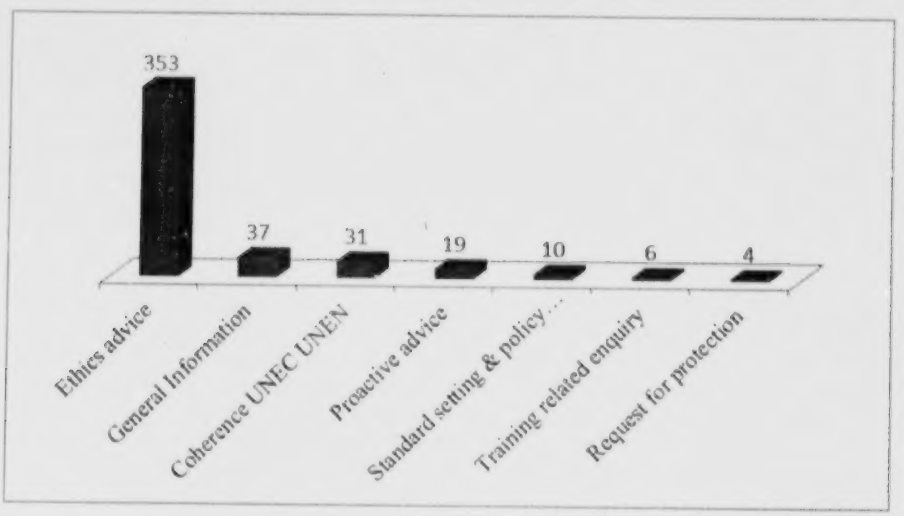
21. The Director continues to meet regularly with the Associate Administrator to ensure the continued engagement of UNDP leadership with ethics strategy and initiatives, and to obtain – and provide – critical feedback.

22. The Office participates as an observer at meetings of the Organizational Performance Group. The Director is engaged with UNDP senior leadership to: (a) provide confidential ethical advice and guidance; (b) support ethical decision-making at the highest levels of the organization; (c) keep abreast of all major UNDP initiatives and policies; and (d) offer value, as needed, in areas where the Director may have expertise that transcends 'ethics' in the traditional sense.

III. Mandated activities

23. During 2013, the Ethics Office was fully engaged in fulfilling its mandate in all of its functional areas of responsibility. The Office received a steady number of requests for services ranging from advice and guidance to managing conflicts of interest. Figure 1, below, displays the breakdown of requests for services received by the Office for the period.

Figure 1. Requests for advice and other services, by category, 2013



24. Typically, each year UNDP administers a Global Staff Survey (GSS) to all staff and personnel. Survey questions include a number which are submitted or edited by the Ethics Office to gauge staff perceptions of ethics and integrity within the organization.

25. The Office reviewed the responses to the ethics-related questions in the GSS and observed that the ethics climate has remained fairly constant over the years with some 79 per cent of staff in 2013 agreeing that 'UNDP is an ethical organization worthy of public trust'. However, despite increased awareness efforts, some staff remain reluctant to report wrongdoing when observed. Though it has not conducted a separate statistically valid survey to delve deeper into this phenomenon, the Office has conducted follow-up questioning at various presentations, briefings and trainings. The anecdotal evidence does not point to a fear

of retaliation, but rather a failure to believe that the organization will take appropriate disciplinary action if the allegation is proved true. Further questioning led to the revelation that staff have not seen swift action or tangible results that reporting will indeed lead to any action. This is discussed further in the management recommendations section.

A. Standard-setting and policy support

United Nations system-wide

26. The Office continued active participation on the Ethics Panel of the United Nations (EPUN), and has contributed to dialogue on policy harmonization, system-wide coherence and introducing best practices from the private sector. Over the year, the Office has led targeted research and discussion with EPUN, and advocated for a more practical approach to confidentiality. While consensus has yet to be reached, the Office has been asked to continue the discussion in 2014.

27. The Office also participated in the annual meeting of the Ethics Network of Multilateral Organizations (ENMO), which is comprised of the ethics officers of United Nations organizations and affiliated agencies. The Office contributed to knowledge sharing in the network through a presentation on identifying and addressing conflicts of interest, including introducing its new conflict of interest disclosure programme, which was very well received. The Office also contributed to general discussions on harmonizing ethics practices across the United Nations system.

Within UNDP

28. Within UNDP, the Office revised the notion of confidentiality as it relates to the provision of advice and guidance in relation to requests to participate in outside activities. The strict concept of confidentiality in the Ethics Office had, at times, served to hamper protecting the organization and from quickly addressing potentially volatile or otherwise risky issues. In 2013, the Office reviewed this issue and embraced a more practical approach. The Office continues to respect the confidentiality sought by those who seek personal advice and guidance but understands that adhering to strict confidentiality in all matters is counter-productive. For example, the form used to request approval to engage in outside activities was revised to make it clear that the request is not confidential and that, during the course of its review, the Ethics Office may consult with the supervisor of the staff member in question, the Legal Support Office, the Office of Human Resources or others in order to make an informed decision on whether to recommend approval.

29. In 2012, the Office developed a conflict of interest disclosure form. Following lengthy discussions and negotiation, in late 2013, the Office of Human Resources included it in the recruitment process. The form aims to identify and resolve potential conflicts of interest as disclosed by new candidates prior to actual hire. It is not intended to eliminate candidates from consideration, but rather to ensure the independence and impartiality of new staff. The form makes it clear that the disclosures made allow the candidate and UNDP to address potential conflicts by instituting controls and avoiding placement of staff in situations where actual conflict can arise. Such disclosures will not be kept confidential and must be shared with the hiring manager.

30. Based on discussions which it commenced with the Office of Human Resources in 2012 to identify more efficient ways to address or eliminate conflicts in a manner favorable to the organization, the Office proposed an amendment to the family relationships policy, which was adopted in 2013. The amendment brings UNDP policy in line with that of the United Nations Secretariat and other funds and programmes,

and reduces the number of potential conflicts of interest identified via the financial disclosure programme.

31. In another initiative, the Ethics Office joined with the Office of Human Resources and others to address how best to mitigate potential conflicts of interest arising from the movement of staff between UNDP and external entities. A briefing document was prepared to assist the Office of Human Resources and management in identifying and classifying the various forms of existing arrangements, and to propose guidelines to mitigate conflicts of interest that may arise out of such arrangements.

32. The Office also participated in many information technology efforts, including the Email Archiving and Public Cloud Solutions Steering Committee (and as part of the selection test group), and provided substantive input into Information Technology Policies, including the new Email Records Retention Policy, the Mobile Devices Policy (annex to Information and Communications Technology Resources Policy), the Information Classification and Handling Standard, and the Information and Communications Technology Assets Replacement Life best practices, an annex to the Programme and Operations Policies and Procedrues (POPP) Furniture and Equipment Acquisition and Maintenance Policy.

33. The Office also drafted new policies on the handling of gifts and conflicts of interest, expected to be adopted in 2014.

34. The Ethics Office was instrumental in a number of other cross-functional efforts, including coordinating the UNDP response to the Institutional Integrity Initiative within the United Nations system, undertaken by the United Nations Office of Drugs and Crime.

Communication activities

35. The Office expanded its use of social media, and increased online messaging through emails, blogs, postings on the Ethics Intranet and Teamworks sites, as well as on all regional and business unit sites in an effort to reach as many staff as possible. Such regular messaging to staff focuses on the business value of ethics, building and reinforcing ethical culture, ethical leadership, role-model behaviours and ethical decision-making. The aim is to encourage individuals to keep ethics foremost in their minds in all that they do, and to view ethics as a critical component of business at UNDP rather than as an afterthought.

36. The Office also addressed resident representatives and other senior leadership across UNDP via RR-net by providing targeted messages reinforcing the practical application of ethics. Topics such as 'Setting the Tone at the Top' are important, but more creative subjects were covered as well, for example: Results Orientation vs. Principled Performance; Does Being Ethical Pay?; The Importance of Integrity; and Ethics and Generations – Do We All Share the Same Values? All are more relevant to the leadership and have been very well received. These and similar messages (for example, holiday guidance around gifts and social behaviour) were also developed and shared with internal staff and partners, and several were adopted and used externally through EPUN and ENMO.

37. The Ethics Intranet and Teamworks sites' content were kept current and updated by adding new resources, updated policies, articles, whitepapers and videos. A French language subsection was created in 2013 to provide translated materials and information; a Spanish language subsection is under development. The Ethics Office website was viewed thousands of times over the year, with spikes coming on the heels of broadcast ethics messages. Finally, the Office also joined a cross-functional communications panel to explore new ways to increase the visibility of critical messages at UNDP, including those emanating from ethics.

B. Training, outreach and awareness-raising

38. Training and education remain key elements of the Ethics Office, which works proactively with management and staff in response to specific topical training requests. Training aims to reinforce ethical behaviours and ethical decision-making by emphasizing why ethics makes good business and personal sense. The Office also focuses on cultural differences and explains why local culture and practices must take a back seat to United Nations practices, principles, rules and regulations.

39. In 2013, training and rejuvenated outreach and awareness activities of the Ethics Office sought to: (a) deepen staff members' understanding of ethics and its practical application in their daily activities; and (b) reinforce role model behaviours and UNDP values. Managers were urged to promote a work environment where staff members are encouraged to speak up and raise concerns without fear of reprisal.

40. In an effort to reduce travel costs in 2013, the Office created and delivered a series of training via live webinars, audio conferences and other electronic communications on a broad scope. The Office also increased its participation on cross-functional panels to encourage deeper discussion around ethics and values as a part of day-to-day business processes. By becoming more of a resource and expanding its influence into the daily activities of UNDP, the Ethics Office is moving away from a reactive body to a valued contributor that can identify issues and work with country, regional and headquarters offices to avoid problems before they arise.

41. During 2013, approximately 1,145 staff members and other personnel participated in face-to-face ethics workshops, group briefings, panel discussions and live/web-based training sessions. Separate individual briefings were provided to five senior leaders at headquarters as part of their induction to new appointments.

Online modules

42. The training programme includes a mandatory online module which provides basic understanding of ethics and the rules, regulations and standards of conduct at UNDP. Because the current course is dated, it will be replaced in 2014 by a new course currently under development by the United Nations Secretariat Ethics Office. This new course will be customized for UNDP and serve both as an introduction to newly recruited staff and as a mandatory refresher for current staff. It will reinforce the application of ethics standards and raise awareness of outside activities, conflicts of interest, gifts and favours, confidentiality, reporting concerns and prevention of retaliation, in a much more user-friendly, interactive format.

43. The Office increasingly used new technological platforms to deliver briefings and training, and developed specialized mini-modules on ethical leadership, conflict of interests, as well as ethics for human resources practitioners and a revised ethics in procurement. While these courses were delivered as live webinars to offices away from headquarters in 2013, the Office is working with the Office of Human Resources to convert them to online modules, accessible on demand to all UNDP staff. Other online modules on protection against retaliation and the financial disclosure programme are being developed and are expected to be available in 2014.

44. Even as new training is developed, the legacy online training continues to be used by staff at all levels. Since that programme's launch in 2008, more than 13,000 persons have completed the online module.

Face-to-face workshop and webinars

45. Augmenting the web-based delivery of training, in 2013 the Ethics Office continued in-person training and awareness-raising activities for staff at headquarters and across regions. The Office significantly overhauled and revised the face-to-face workshop presentation to further emphasize that building an ethical culture in UNDP is an individual as well as a collective responsibility, with particular focus on the practical application of ethics in the workplace and the role of managers in fostering an ethical work environment. The Office now customizes training to address the needs and risks identified for each country office or business unit. It now uses targeted case studies and hypotheticals that are pertinent to that specific office.

46. In 2013, face-to-face ethics training was delivered to country offices in Afghanistan, Egypt and Lesotho. Similar training was provided to two groups of junior professional officers in New York as part of their induction, as well as to deputy country directors and deputy resident representatives as part of their induction training organized by the Office of Human Resources.

47. The Ethics Office held meetings with its peer training network to exchange ideas, support ethics and values-related learning, and explore opportunities for greater engagement of trainers in promoting ethics within UNDP. Peer trainers facilitated ethics training in UNDP offices in Belize and Guinea Conakry, and the peer trainer in Burkina Faso supported week long, manager-led ethics refresher activities initiated by country management.

48. In addition to face-to-face training, the Office had sustained engagement with the Afghanistan country office in 2013. The in-person training was supplemented with seven training sessions delivered through live webinars covering ethical leadership, ethics for human resource practitioners and ethics in procurement. A webinar on conflicts of interest was also delivered to the country office in Moldova.

General or customized briefings and panel briefings for cross-functional groups

49. The Ethics Office provided general or customized briefings, both proactively and upon request. Over the year, in-person briefings were delivered to: the Office of Audit and Investigations; the Evaluation Office (including a follow-up presentation at the annual evaluation officers team retreat to address specific issues arising from the Global Staff Survey); the headquarters-based team for the Regional Bureau for Europe and the Commonwealth of Independent States; the Audit Universe team; the inaugural meeting of the Evaluations Advisory Panel; and an orientation of new Executive Board members. A briefing was also provided to two UNICEF ethics office staff on developing a programme to detect and resolve conflicts of interest.

50. The Ethics Office also participated in a panel discussion (together with representatives from the Office of Human Resources and the Office of Financial Resources Management) entitled Human Resource Management and Ethical Leadership at the cluster meeting for the Regional Bureau for Africa.

51. Working with the Office of Human Resources Integrated Talent Management Team, the Office developed a video presentation on ethical leadership as part of the Regional Bureau for Africa talent management programme for female leadership development. The Office also provided a briefing note for the Office of Human Resources induction programme, YOUNDP, and contributed content to the onboarding intranet and Teamworks sites for new staff to introduce the Office as a resource for addressing ethics-related concerns.

52. The Ethics Office participated remotely in a discussion organized by the Belarus country office around whistleblowing and protection against retaliation. It briefed the human resource business advisors on identifying and dealing with conflicts of interest to support them in implementing the conflict of interest disclosure form.

53. The Office met with a team led by the UN-Volunteers Executive Coordinator to provide a briefing on the role and work of the Office, and to explore opportunities for the Office to provide more support on standards of conduct issues that relate specifically to UN-Volunteers. The Office also briefed, and serves as a resource to, the UNDP Vendor Sanctions Committee.

54. In 2013, the Director briefed a delegation of the Viet Nam Communist Party Inspectorate on ethics efforts underway at UNDP, specifically the financial disclosure and conflict of interest programmes.

55. Finally, in 2013 the Office also participated in a panel convened by the Bureau for Development Policy to discuss the 2013 Resource Governance Index, focusing on anti-fraud and anti-corruption efforts in the extractives industries.

Senior management briefings

56. For the reporting period, the Ethics Office continued to build on previous efforts to promote an ethical culture in UNDP, and has proven its value to senior leadership through regular proactive outreach, practical advice and guidance. While the Office emphasizes that senior leadership must be role models of ethics and integrity (establishing the standard of behaviour expected of all staff serving the organization), it is also focusing on the next level down – that of middle management – as crucial to the success of the effort to embed ethics into the fabric of the organization.

57. The Office also embarked on an intense awareness campaign to promote ethical culture in UNDP. Messages on email and social media encourage staff to "do what is right, even if no one is watching". The Office focuses leadership ethics training on encouraging managers to establish a speak-up culture in their respective units, supporting staff members to raise concerns without fear of retaliation. Ethical culture promotes staff engagement, trust and integrity, which in turn raises organizational performance and reputation.

58. In 2013, the Director personally briefed four senior managers at the D-1 level or above, newly assigned to headquarters. These senior leaders were reminded of the importance of setting the 'tone at the top', and of their responsibility to reinforce an ethical culture and promote a harmonious, open working environment in which individuals are empowered to raise concerns without fear of reprisal. The briefings covered the role of the Ethics Office and how it fosters a value-added relationship with the various UNDP units. Essential to obtaining buy-in was the need for the Director to clarify how ethics are practically applied in the workplace, and to make the business case for ethics. One other key oversight official reassigned to Headquarters was also briefed and vetted for conflicts of interest pursuant to Executive Board decision 2010/17. Four other visiting officials were met and provided confidential advice and guidance. This led to requests for two missions to provide ethics training to country staff.

59. The Office attended three regional cluster meetings (Regional Bureau for Asia Pacific, the Regional Bureau for Arab States and the Regional Bureau for Africa). At each, discussions were held with individual senior leaders to raise awareness about ethical leadership and to reinforce the concept of ethics in UNDP as an integral and essential element in the organization's culture and a necessary component of daily business processes. The personal briefings and networking resulted in several follow-up requests for training and education, targeted communications, or simply advice and guidance. One such meeting led to a cross-functional mission with the Ethics Office and the Office of Human Resources to address multiple, deep-seated cultural obstacles facing new country office leadership. These opportunities were extremely valuable in providing exposure for the ethics effort at UNDP and the opportunity to reinforce with regional leadership the need to keep ethics at the top of the mind and to "operate with unwavering integrity". It also served as a welcome sounding

board for the Director to get the essential feedback that the Ethics Office's outreach efforts to leadership via social media were well received and extremely helpful to the country offices.

60. Through communications delivered via the RR-net, the Office regularly impressed upon senior leadership not only the importance of role model behaviour in building ethical culture, but also how to view ethics differently. The communications took a different approach than traditional bulletins and sought to impress upon leadership that ethics is a critical part of all that the organization does, and that sometimes (based on culture or environment) not all will view ethics in the same manner. The communications' aim is to assist leaders in understanding how best to convey the ethics message to their staffs so that all will not only understand ethics but embrace it in their daily tasks and interactions. These messages have been particularly welcome and the Office has been encouraged by various senior leaders who stated that sharing the messages among their teams and business units has led to more open dialogue and a better working relationship. In some instances, the messages have generated requests for the Office to provide deeper learning for particular groups. One such message formed the basis of the previously mentioned weeklong, multifaceted ethics refresher in Burkina Faso, spearheaded by the Country Director.

Awareness-raising activities

61. A key focus of the Ethics Office is to have a regular communications campaign aimed at sustained engagement with staff to encourage them to embrace ethics. The Office believes that brief but pertinent reminders of how and why ethics play a role in all that they do in-and-out of UNDP will reinforce proper behaviour. It also believes that staff will feel more empowered to step forward and raise concerns when they suspect wrongdoing.

62. In 2013, the Office expanded its exploitation of email and social media: blog postings and videos were placed on the Ethics Intranet and Teamworks sites; and guidance bulletins, on topics such as building ethical culture, anti-corruption, results orientation via principled performance, generational impact on ethics, and gifts and hospitality during the holiday season, were shared with all staff.

63. The Office also launched a new awareness-raising initiative through which staff and leaders that attend and complete in-person or other live trainings and briefings will be provided with small promotional items such as 'Ethics Champion' pins or notepads with ethics-related messaging. The messages are geared towards reinforcing ethics' lessons learned, serving as a reminder for staff to act with integrity at all times and to adopt role model behaviours to promote a positive work environment. The items display a unique 'compass' icon incorporating UNDP values.

64. The Director serves as a resource on ethics and anti-corruption on the newly established 'Speakers' Corner' (managed by the Office of Communications) that focuses on providing such expertise to the public. The Ethics Office also served on several information technology working groups, and a cross-functional communications team.

C. Advice and guidance

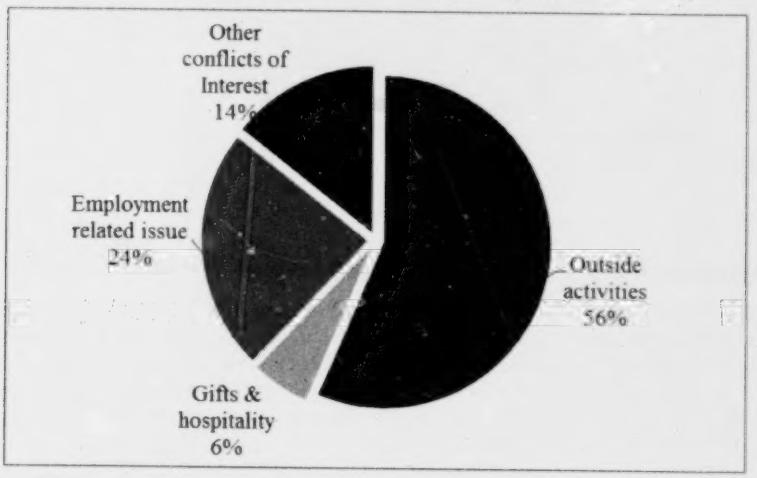
65. The provision of advice and guidance on ethics-related concerns remains the key function of the Office. Through direct involvement with staff and others, the Office is able to positively influence individual behaviour, and provide critical guidance when staff are unsure where to turn. By availing themselves of this resource, staff, leaders, contractors and others are able to obtain critical feedback on the appropriateness of certain actions and behaviours, redress perceived retaliation, and ensure that activities inside and outside of UNDP do not undermine the integrity, independence and impartiality required of persons serving the

organization. Staff and others are thus better able to manage conflicts of interest and resolve ethical dilemmas.

66. In 2013, the Director focused his proactive outreach on various leadership teams and groups throughout UNDP. As a result, the frequency of contact and questions from this group increased. It is the hope of the Office that, with leadership's greater comfort level and belief in the 'business value' of ethics, these interactions will continue to rise and business decisions will be positively influenced.

67. Over the year, the Ethics Office received 466 requests for services, of which 353 were for ethics advice. As shown in figure 2, the main area of concern for staff members and other personnel seeking ethics advice in 2013 pertained to outside activities with those requests accounting for 56 per cent of the total.

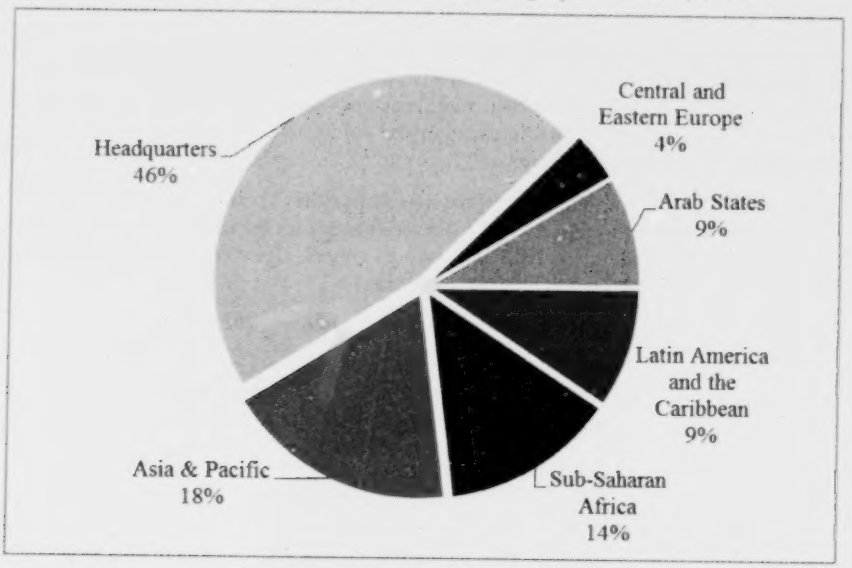
Figure 2. Requests for advice, by category, 2013



68. Of the number of individuals seeking ethics advice, 47 per cent were female and 45 per cent were male. The remaining 8 per cent were anonymous, unidentified or from a group.

69. As shown in figure 3, the largest percentage of requests comes from staff members and other personnel at headquarters, accounting for 46 per cent of the total. An increase in the number of requests from the Asia and the Pacific region was noted, up 6 per cent from 2012. This may be related to the training and awareness focus on the country office in Afghanistan, which itself accounted for the highest number of requests for advice and guidance from a single country.

Figure 3. Requests for advice, by geographic location, 2013



D. Financial disclosure programme, 2012 transaction year, filed in 2013

70. The Office administers the financial disclosure programme, implements annual and periodic filing exercises, reviews disclosed information, and provides advice and guidance to mitigate any conflicts of interest detected or disclosed. The Office developed a training module in 2013 to guide focal points and heads of business units in identifying and registering filers and in submitting statements; this training module has been converted to an on-line, on-demand tool to be rolled out in 2014.

71. The programme is designed to assist the organization in detecting actual and potential conflicts of interest between a staff member's private interests and his or her official obligations. Its primary purposes are to: (a) assure that the independence and impartiality of UNDP staff are preserved in official decision-making; and (b) promote transparency and public confidence in UNDP. Staff regulations require all staff at the D-1 level and above, and other designated staff members, upon appointment and annually thereafter, to file a financial disclosure statement concerning themselves, their spouse and dependent children. When requested, filers are required to assist in verifying the accuracy of the information submitted.

72. In addition, in 2013 the Office introduced the revised financial disclosure policy, which, for the first time, includes the capability of capturing financial disclosures for contractors; applicable contractors will be enrolled, as needed, in 2014.

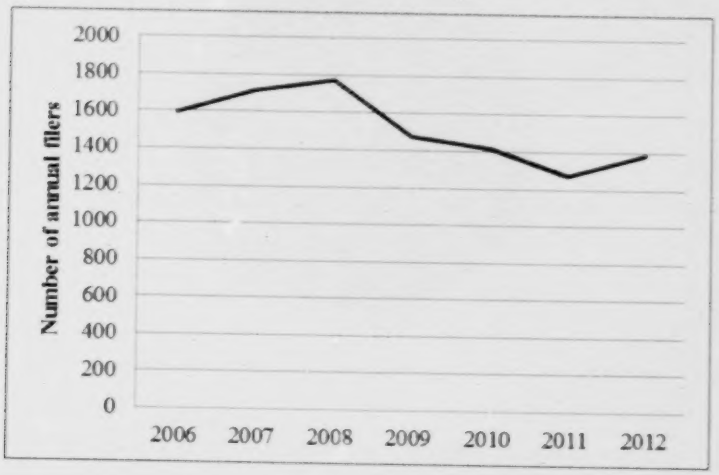
Financial disclosure exercise for the 2012 transaction year

73. In 2013, the Office implemented its seventh annual financial disclosure exercise, covering the 2012 transaction year. The Office streamlined the filing criteria based on a risk assessment, and focused on staff members with significant functional responsibilities in the identified areas.

74. The annual filing exercise started on 1 March with the disclosure of the financial interest and outside activities of 1,383 selected filers, their spouses and dependent children. Figure 4 below shows the number of annual financial disclosure programme filers from its inception in 2006/2007. Since 2008, the identification of filers has been subject to a risk assessment

resulting in a general decrease in the number of annual filers. The 1,383 filers for 2012 represent a 22 per cent decline from the 1,774 filers in 2008, but a slight upturn from 2011.

Figure 4. Number of financial disclosure programme annual filers from 2006 to 2012



75. In addition to the 1,383 annual filers, a total of 20 newly hired/appointed staff members were identified as needing to file a statement during the June induction exercise. This mid-year exercise is undertaken to capture those staff members who were newly recruited/appointed to a relevant function following the annual filing exercise.

76. Figures 5 and 6 below show the number of financial disclosure programme filers by rank and function for the 2013 annual exercise. Once again, Middle management and those with procurement responsibilities represent the largest percentage of filers.

Figure 5. Breakdown of filers by rank, 2012

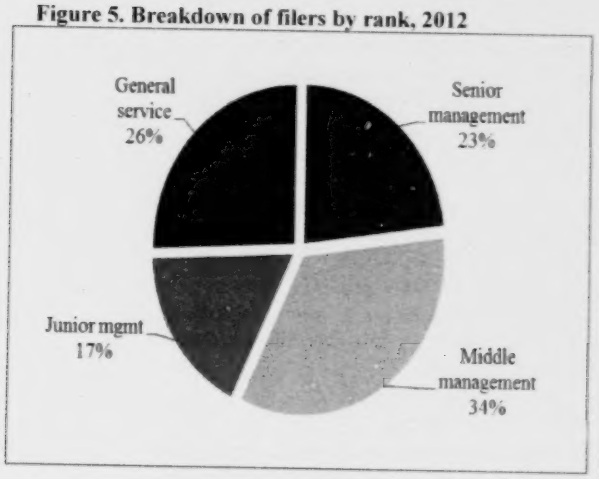
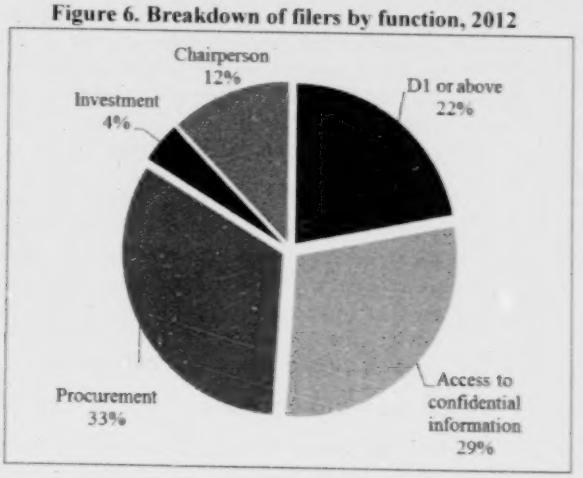
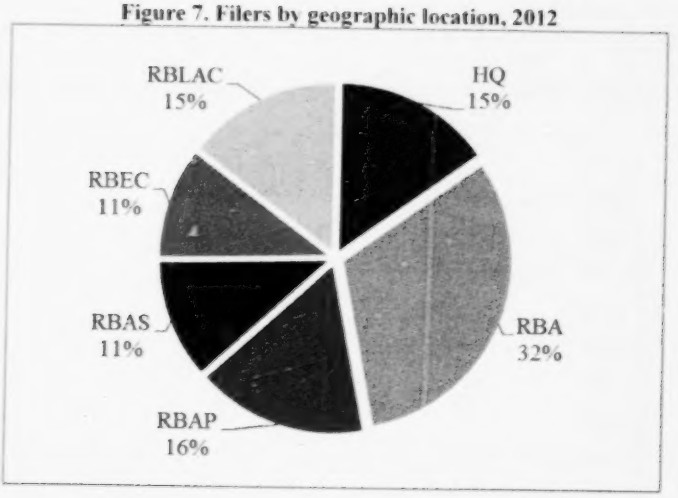


Figure 6. Breakdown of filers by function, 2012



77. Figure 7 below provides a visual display of filers by geographic location. The breakdown is consistent with prior years.

Figure 7. Filers by geographic location, 2012



Review of data and provision of advice

78. Review of the financial disclosure programme statements followed a three step approach. Individual statements were first vetted for completeness; filers were immediately contacted to resolve any incomplete or unclear information. Next, disclosures were compared to a list of restricted vendors and investment funds. The third step examined outside interests and activities against relevant prohibitions or restrictions contained in the staff regulations and rules, bearing in mind the staff member's functions and duty station. In 2013, the Office introduced an efficiency in the disclosure exercise, which allowed for those statements with no disclosures (~20 per cent of the total) to be automatically cleared, but still subject to verification.

79. Because it is critical that the organization manage and remediate risks arising from potential conflicts of interest as soon as they are detected, the Office reviewed statements as they were received rather than after the close of the filing exercise, allowing for immediate feedback to filers. A total of 87 cases were addressed for the year. Fifteen potential conflicts of interest were identified, mainly relating to previously undeclared outside activities. Those staff members were required to seek formal approval and, in each case, did so. The Office vetted each request separately and made a recommendation to grant approval or not.

80. In fifty-five cases, the Office provided proactive advice to safeguard against conflicts of interest arising in the future. With the amendment to the family relationships policy, fifteen additional cases that previously would have been identified as raising a potential conflict of interest were resolved with proactive advice. In another two cases involving family relationship issues not affected by the amendment, advice and guidance was provided to the staff members to mitigate the potential conflict. In both cases, the staff members acted on the advice.

Secretary-General's voluntary public disclosure initiative

81. The United Nations Ethics Office administers the Secretary-General's voluntary public disclosure initiative for senior officials at the assistant secretary-general level and above. The UNDP Administrator and most members of UNDP senior management team took part in the exercise.

E. Protection of staff against retaliation for reporting misconduct and/or for cooperating with duly authorized audits or investigations

82. In accordance with the Secretary-General's bulletin on United Nations System-Wide Application Of Ethics: Separately Administered Organs And Programmes (ST/SGB/2007/11), the Ethics Office administers the UNDP policy for protection against retaliation. The Office's proposed revisions to UNDP policy for protection against retaliation were adopted in 2013 by the Organizational Performance Group and made effective immediately. The revised policy broadens the scope of protection to now include staff, contractors, UN-Volunteers staff serving in UNDP and interns. The revised policy encourages all covered individuals to raise concerns and report allegations of misconduct, and cooperate, to the fullest extent, with authorized audits and investigations without fear of reprisal.

83. In 2013, the Office recieved four complaints alleging retaliation, down from nine cases received in 2012. Although the Office undertook a preliminary assessment in three of these cases, no prima facie case of retaliation was established. In each case, the complainant was advised of appropriate alternative internal mechanisms to address the issues raised. In the fourth case, an individual was referred to the Office by another Ethics Office within the United Nations system. Despite follow up by the Office, the individual did not wish to pursue the matter.

84. The Office also received a referral of three related cases alleging retaliation from another independent office. After internal consultations with the referring office, the Ethics Office continues to monitor these cases.

IV. The United Nations Ethics Committee and the Ethics Network of Multinational Organizations

85. The Ethics Office has taken a more active role in the Ethics Panel of the United Nations in 2013 and has been a respected, worthy contributor to monthly EPUN meetings. The Director has been a leader in introducing best practices from ethics in the private sector, including spearheading an effort to ease the strict rule of confidentiality when circumstances warrant. Further information on the work of EPUN is provided in the report of the Secretary-General on the activities of the Ethics Office to be presented at the sixty-ninth session of the General Assembly.

86. The Office also attended the annual meeting of the Ethics Network of Multilateral Organizations. During the event, the Office presented a briefing on addressing conflicts of interest in the United Nations system, with an eye toward harmonizing practices that build on best practice from private industry and governments. The Director shared details and documents concerning updates and revisions to the UNDP financial disclosure programme and new conflict of interest disclosure tool, which led to several ENMO members considering adopting UNDP changes.

V. Recommendations to management to strengthen the UNDP culture of integrity and compliance

87. In its decision 2011/24, the Executive Board called upon the Ethics Office to make recommendations to management for strengthening the UNDP culture of ethics, integrity and accountability. UNDP management is therefore requested to consider the following recommendations:

(a) *Improve the mechanisms for addressing allegations of misconduct.* Based on interviews, Global Staff Survey follow-up and anecdotal evidence, a significant percentage of staff remain reluctant to report wrongdoing when suspected or witnessed. When questioned as to

why, staff and leadership have consistently responded that fear of retaliation is not a factor; rather, reporting appears to be a futile exercise because "nothing happens". The concern is that discipline or punishment is not visibly or timely forthcoming, so that it appears alleged offenders are not being held accountable. Management must remove any obstacles that serve to dissuade staff from coming forward to report misconduct.

Recommendation 1 *It is recommended that management review with relevant stakeholders the procedures and the time that it takes to deal with a complaint of wrongdoing from receipt of the complaint to conclusion of the matter and imposition of discipline under the Legal Framework for Addressing Non-Compliance with United Nations Standards of Conduct. Whether it is founded in truth or merely a broadly held misperception, management must dispel the fear that reporting of misconduct will not lead to tangible results and ensure that meaningful and appropriate action is visibly taken within a reasonable period of time.*

(b) *Revisit accountability framework.* UNDP staff have confidentially raised concerns to the Ethics Office that allegations of certain types of misconduct (for example, harassment, discrimination and abuse of authority) may not always be considered and treated by UNDP, as an organization, with the same level of attention and seriousness as financial-based allegations (for example, corruption, fraud) and consequently, such allegations may go unresolved. The Office of Audit and Investigations (OAI) Investigations Unit uses a triage process to assign allegations for investigation; according to OAI, dollar value may be a relevant factor in determining priority to certain cases. There are occasions when OAI may also refer a complainant or a matter to another unit (such as OHR) if it is believed that the other unit may be better suited to handle a case involving a personal relationship-type allegation (for example, harassment, abuse of authority). If such allegations of misconduct are not fully addressed, whether through investigation or other administrative action, alleged wrongdoers could be emboldened in their actions. This undermines the culture of ethics and integrity in which staff are encouraged to raise concerns without fear of reprisal.

Recommendation 2. *It is recommended that management revisit the accountability framework for addressing allegations that involve harassment, discrimination and/or abuse of authority, and ensure that such matters are adequately addressed.*

(c) *Improve management training in managing human resources.* This recommendation is a carry-over from 2013. The Office is calling for a stronger training regimen focusing on leadership skills in managing human resources. In its outreach activities, the Office has often heard from management that they need more training on how best to handle and motivate their workforce. The Office is aware of a broad initiative planned for 2014 by the Integrated Talent Management Group in the Office of Human Resources entitled 'Managers as Great People Managers'. The Ethics Office is hopeful this initiative will address the stated need.

Recommendation 3. *Develop mandatory supervisory training on managing people.*

(d) *Formally resolve guidance for secondments, special leave without pay, and loaned personnel arrangements.* In 2012, the Ethics Office revived a dialogue with the Office of Human Resources, the Legal Support Office, and the Procurement Support Office to achieve consensus on how best to control the various arrangements existing in UNDP for retaining staff and other personnel through secondments, non-reimbursable loans, and special leave without pay. These discussions continued in 2013 with no resolution. The Ethics Office worked with pertinent parties each time to mitigate conflicts of interest that arose. Clear rules and guidance concerning these arrangements will protect against conflicts of interest and will result in fewer requests for advice and guidance and fewer opportunities for inconsistent treatment of individuals.

Recommendation 4. *Agree on and implement the form and content of arrangements to manage the movement of staff and individuals to UNDP from external entities, and to agree on the criteria to determine when each form is most appropriate, in order to help avoid conflicts of interest.*

VI. Conclusion

88. The Ethics Office is committed to its call for all at UNDP to "operate with unwavering integrity". As noted previously, "Ethics [is] not the sole responsibility of the Ethics Office or the Office of Human Resources". Supervisors and managers at both the senior and the middle levels of the organization must embrace ethics as a basic and necessary part of all UNDP activities. Foremost is the need to establish and enforce a working environment that fosters and mandates ethical behaviour and ethical business decision-making; ethics needs to become second nature. An open-door policy without fear of retribution leads to trust and a freer exchange of ideas and concerns, and can serve as a means of redressing potential problems before they take form.